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RUEHBO/AMEMBASSY BOGOTA PRIORITY 2671

C O N F I D E N T I A L PANAMA 000233

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STATE FOR WHA/CEN - FEELEY, DOHERTY, AND TELLO
ALSO FOR WHA/EPSC - SHAPIRO, KUBISKE, AND SALAZAR
STATE PASS USTR - SCHWAB, VERONEAU, AND EISSENSTAT
USDOC - BASTIAN
TREASURY - S. GRAY

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TAGS: [ETRD](#) [ECON](#) [PGOV](#) [PM](#)
SUBJECT: TRADE MINISTER FERRER TO STEP DOWN MARCH 31

REF: 2007 PANAMA 1677

Classified By: Ambassador William A. Eaton - Reasons 1.5(b and d)

¶1. (U) In a move that had been expected widely since late 2007, Trade Minister Alejandro Ferrer announced on March 18 that he will resign, effective March 31. Ferrer said that he could no longer postpone his return to private law practice. Ferrer had repeatedly delayed his departure in hopes of concluding several remaining trade deals and to solidify agreements with foreign investors for key energy and port projects in Panama.

¶2. (C) Torrijos has yet to name a successor. Ferrer had previously told Emboffs that he would recommend Vice Minister of Trade Carmen Gisela Vergara for the post, as he did not expect any private sector heavyweights would wish to join the government during Torrijos' final months in office (reftel). The consensus among top business leaders is that Vergara would be the logical choice to succeed Ferrer, as she is seen by most as capable and free-market oriented. Panama Chamber of Commerce President Domingo Latorraca (and Ferrer's cousin) told Econ Chief that Vergara had turned down an offer from the Chamber a few months ago to head up its new think tank. He believed she did so because she anticipated the prospect of succeeding Ferrer.

¶3. (C) Most private sector sources scoffed at "La Prensa's" March 19 gossip item suggesting that Torrijos would replace Ferrer with long-time PRD supporter and business tycoon Arturo Melo, Sr. Melo is the approximately 75-year-old patriarch of the Melo Group ("Grupo Melo"), which dominates Panama's market in rice, poultry, and other products. However, some, such as ex American Chamber President Carlos Urriola, thought the choice of Melo was plausible. He suggested that no technocrats such as Ferrer would want to be on a "very political" cabinet during the upcoming election year, as all decisions could be driven by political expediency rather than economic merit. Comptroller General Carlos Vallarino lent further weight to the rumor, as he told the Ambassador on March 18 that he thought Melo would get the nod.

¶4. (C) Comment: Ferrer's exit, while long expected, is nonetheless a great disappointment to many in Panama's business community, some of whom worry that this could hamper prospects for reviving Panama's stalled TPA in Washington. It is likewise troubling to foreign investors, most of whom

saw Ferrer as their best advocate in the GOP for fair play and investor-friendly policies. They (and we) will watch closely to see whether Torrijos opts to stay the course with a similar technocrat (like Vergara) or whether he does a 180 degree turn by appointing a PRD loyalist with protectionist instincts.

EATON